

**GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
REINBECK, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Mike Bearden	President	2013
Matt Wyatt	Vice President	2011
Darin King	Board Member	2011
Beth Miller	Board Member	2011
Rick Lockhart	Board Member	2011
Doug Rowe	Board Member	2013
Deb Cooley	Board Member	2013
(After September 2011 election)		
Mike Bearden	President	2013
Matt Wyatt	Vice President	2015
Doug Rowe	Board Member	2013
Deb Cooley	Board Member	2013
Amanda Gehring	Board Member	2015
Eric Sieh	Board Member	2015
Lisa Swanson	Board Member	2015
<u>School Officials</u>		
Tim Kuehl	Superintendent	2015
Debra Oleson	District Secretary/Treasurer	2012
Ahlers and Cooney, P.C.	Attorney	2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Gladbrook-Reinbeck Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2012 on our consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from \$6,864,364 in fiscal 2011 to \$6,584,873 in fiscal 2012, General Fund expenditures increased from \$6,205,769 in 2011 to \$6,224,896 in 2012. The District's General Fund balance increased from \$1,202,859 in fiscal year 2011 to \$1,562,836 in fiscal year 2012, a 29.93% increase.

The District's solvency ratio increased from 16.0% in 2011 to 22.9% in fiscal 2012. The District's solvency level indicates that the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gladbrook-Reinbeck Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gladbrook-Reinbeck Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gladbrook-Reinbeck Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Gladbrook-Reinbeck Community School District Annual Financial Report

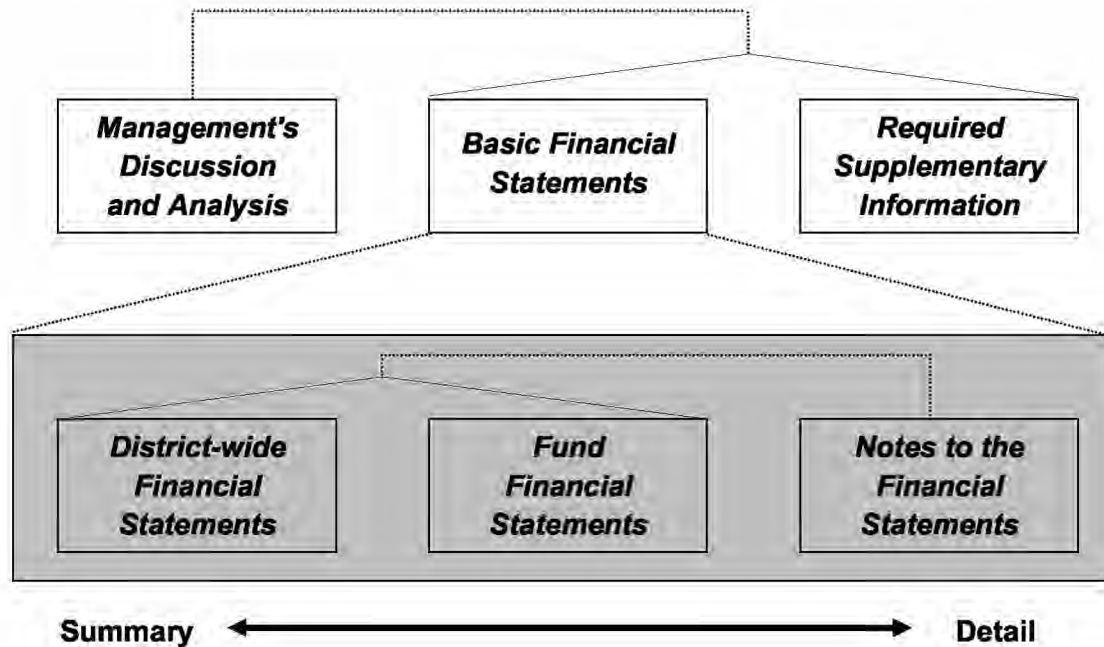


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets- the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Funds: These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2011	2012	2011	2012	2011	2012	2011-2012
Current and other assets	\$6,108,896	\$6,186,940	\$23,849	\$30,824	\$6,132,745	\$6,217,764	1.39%
Capital assets	\$4,666,067	\$4,641,290	\$39,430	\$37,458	\$4,705,497	\$4,678,748	-0.56%
Total Assets	\$10,774,963	\$10,828,230	\$63,279	\$68,282	\$10,838,242	\$10,896,512	0.54%
Long-term liabilities	\$1,733,809	\$1,597,661	\$0	\$0	\$1,733,809	\$1,597,661	-7.85%
Other liabilities	\$3,423,772	\$3,332,073	\$4,421	\$5,668	\$3,428,193	\$3,337,741	-2.64%
Total liabilities	\$5,157,581	\$4,929,734	\$4,421	\$5,668	\$5,162,002	\$4,935,402	-4.39%
Net assets:							
Invested in capital Assets,							
net of related debt	\$3,382,433	\$4,121,401	\$39,430	\$37,458	\$3,421,863	\$4,158,859	21.54%
Restricted	\$1,199,271	\$445,172	\$0	\$0	\$1,199,271	\$445,172	-62.88%
Unrestricted	\$1,035,678	\$1,331,923	\$19,428	\$25,156	\$1,055,106	\$1,357,079	28.62%
Total net assets	\$5,617,382	\$5,898,496	\$58,858	\$62,614	\$5,676,240	\$5,961,110	5.02%

The District's combined total net assets increased by 5.02%, or \$284,870, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 62.88% or \$754,099, over the prior year. The decrease was primarily due to the use of capital project/physical plant and equipment levy resources for current year projects.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$301,973 or 28.62%. This increase in unrestricted net assets was primarily due to the reduction in liabilities and the reduction in restricted net assets.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2011	2012	2011	2012	2011	2012	2011-2012
Revenues:							
Program revenues:							
Charges for services	\$373,458	\$383,910	\$156,154	\$159,731	\$529,612	\$543,641	2.65%
Operating grants, contributions and restricted interest	\$721,962	\$860,050	\$96,795	\$103,439	\$818,757	\$963,489	17.68%
Capital grants, contributions and restricted interest	\$0	\$0	\$20,000	\$24,207	\$20,000	\$24,207	21.04%
General revenues:							
Property tax	\$3,458,793	\$2,881,905	\$0	\$0	\$3,458,793	\$2,881,905	-16.68%
Income surtax	\$354,841	\$322,671	\$0	\$0	\$354,841	\$322,671	-9.07%
Statewide sales, service and use tax	\$439,965	\$493,124	\$0	\$0	\$439,965	\$493,124	12.08%
Unrestricted state and federal grants	\$2,463,484	\$2,606,290	\$0	\$0	\$2,463,484	\$2,606,290	5.80%
Unrestricted investments earnings	\$26,496	\$26,686	\$47	\$63	\$26,543	\$26,749	0.78%
Other	\$98,935	\$61,549	\$666	\$0	\$99,601	\$61,549	-38.20%
Total revenues	\$7,937,934	\$7,636,185	\$273,662	\$287,440	\$8,211,596	\$7,923,625	-3.51%
Program expenses:							
Governmental activities:							
Instruction	\$4,626,454	\$4,673,336			\$4,626,454	\$4,673,336	1.01%
Support services	\$2,023,751	\$2,157,519		\$2,899	\$2,023,751	\$2,160,418	6.75%
Non-instructional programs	\$36,873	\$23,825	\$274,311	\$280,785	\$311,184	\$304,610	-2.11%
Other expenses	\$331,918	\$500,391		\$0	\$331,918	\$500,391	50.76%
Total Expenses	\$7,018,996	\$7,355,071	\$274,311	\$283,684	\$7,293,307	\$7,638,755	4.74%
Change in net assets	\$918,938	\$281,114	-\$649	\$3,756	\$918,289	\$284,870	-68.98%

In fiscal year 2012, property tax and unrestricted state grants account for 69.26% of total revenue while charges for service and operating grants, contributions and restricted interest accounted for 19.02% of total revenue.

The District's total revenues were approximately \$7.9 million, of which approximately \$7.6 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.51% decrease in revenues and a 4.74% increase in expenses. Property tax decreased approximately \$577,000 due to a decrease in the cash reserve levy. The increase in expenses is related to a modest increase in all expenditures with a larger increase in "other expenses", primarily depreciation and an increase in other capital needs.

Governmental Activities

Revenues for governmental activities were \$7,636,185 and expenses were \$7,355,071, resulting in a net asset increase of \$281,114. The district's expenses for governmental activities primarily relate to instruction and support services which accounted for 93% of the total expenses.

The following table presents the total and net cost of the District's governmental activities for the instruction, support services, non- instructional programs and other expenses functions for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change	Net Cost of Services		Change
	2011	2012	2011-2012	2011	2012	2011-2012
Instruction	\$4,626,454	\$4,673,336	1.01%	\$3,251,798	\$3,823,176	17.57%
Support services	\$2,023,751	\$2,157,519	6.61%	\$1,948,146	\$2,029,090	4.15%
Non-instructional programs	\$36,873	\$23,825	-35.39%	\$36,873	\$23,825	-35.39%
Other expenses	\$331,918	\$500,391	50.76%	\$331,918	\$235,020	-29.19%
Totals	\$7,018,996	\$7,355,071	4.79%	\$5,568,735	\$6,111,111	9.74%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$383,910.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$860,050.
- The net cost of governmental activities was financed primarily with \$3,697,700 in property and other taxes and \$2,606,290 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$287,440, and expenses were \$283,684. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Gladbrook-Reinbeck Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,527,908, an increase of \$189,405 over the last year's ending fund balance of \$2,338,503.

Governmental Fund Highlights

- The General Fund balance increased from \$1,202,859 to \$1,562,836. Revenues decreased due to a reduction in property taxes and federal revenue sources. Expenses increased slightly but the district's revenues still exceeded the expenses by \$359,977 for FY12.
- The Capital Projects Fund balance decreased from \$614,879 to \$429,851 due to the use of the reserve for current capital projects.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$58,858 at June 30, 2011 to \$62,614 at June 30, 2012, due to the increases in claims and lunch prices along with other revenues sources.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gladbrook-Reinbeck Community School District did not amend its budget.

The District's revenues were \$166,941 more than budgeted revenues, a variance of 2.15%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

Total expenditures were less than budgeted. It is the District's practice to maximize the authorized spending authority for all funds, but anticipates less expenditures than budgeted. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

More detailed budgetary information can be found in the required supplementary information section of the report. The district does budget by fund, but the legal level of control is at the function level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$4,678,748, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of .57% from last year. Depreciation expense for the year was \$436,366. More detailed information about the District's capital assets is presented in Note 5 to the financial statements and in item I-B-12 of the Schedule of Findings.

The original cost of the District's capital assets was \$9,437,865. Governmental funds account for \$9,308,713 of those costs, with the remainder of \$129,152 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category with an increase of 61.08%. The district had a larger amount of construction in progress at year-end due to current year projects which will be completed in the future.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activitie		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2011	2012	2011	2012	2011	2012	2011-2012
Land	\$37,965	\$37,965	\$0	\$0	\$37,965	\$37,965	0.00%
Buildings	\$3,438,860	\$3,521,775	\$0	\$0	\$3,438,860	\$3,521,775	2.41%
Construction in Progress	\$105,000	\$169,130	\$0	\$0	\$105,000	\$169,130	61.08%
Improvements other than buildings	\$198,069	\$190,518	\$0	\$0	\$198,069	\$190,518	-3.81%
Furniture and equipment	\$886,173	\$721,902	\$39,430	\$37,458	\$925,603	\$759,360	-17.96%
Totals	\$4,666,067	\$4,641,290	\$39,430	\$37,458	\$4,705,497	\$4,678,748	-0.57%

Long-Term Debt

At June 30, 2012, the District had \$1,597,661 in a variety of long-term liabilities outstanding. This represents a decrease of 7.85% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding debt is significantly below its constitutional debt limit of approximately \$12.3 million.

A summary of the District's long-term liabilities is shown in Figure A-7.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Changes
	June 30		June 30
	2011	2012	2011-2012
Early Retirement	\$131,211	\$226,260	72.44%
Revenue Bonds & Capital Loan Note	\$1,040,000	\$795,000	-23.56%
Capital Lease	\$243,634	\$164,889	-32.32%
Compensated absences	\$148,231	\$159,512	7.61%
Net OPEB Liability	\$170,733	\$252,000	47.60%
	<u>\$1,733,809</u>	<u>\$1,597,661</u>	<u>-7.85%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of circumstances which could significantly affect its financial health in the future:

- Actual certified enrollment has decreased each year over the past few years. Enrollment decreases result in reduced state funding. However it is anticipated that enrollment will be stabilizing in the next two years.
- Funding to local school districts from federal and state agencies needs to be monitored closely, as possible decreases will result in less funding and may require budget adjustments in some areas in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck, IA 50669.

Basic Financial Statements

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,805,674	\$ 22,560	\$ 2,828,234
Receivables:			
Property tax:			
Current year	40,222	-	40,222
Succeeding year	2,750,683	-	2,750,683
Income surtax	333,981	-	333,981
Internal balances (note 3)	(627)	627	-
Accounts	1,405	-	1,405
Due from other governments	255,602	-	255,602
Inventories	-	7,637	7,637
Capital assets, net of accumulated depreciation (note 5)	4,641,290	37,458	4,678,748
Total assets	10,828,230	68,282	10,896,512
Liabilities			
Accounts payable	137,377	111	137,488
Salaries and benefits payable	428,826	624	429,450
Due to other governments	8,165	-	8,165
Accrued interest payable	7,022	-	7,022
Deferred revenue:			
Succeeding year property tax	2,750,683	-	2,750,683
Other	-	4,933	4,933
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	75,291	-	75,291
Bonds payable	115,000	-	115,000
Notes payable	135,000	-	135,000
Capital lease payable	81,186	-	81,186
Compensated absences	36,654	-	36,654
Portion due after one year:			
Early retirement	150,969	-	150,969
Bonds payable	240,000	-	240,000
Notes payable	305,000	-	305,000
Capital lease payable	83,703	-	83,703
Compensated absences	122,858	-	122,858
Net OPEB liability	252,000	-	252,000
Total liabilities	4,929,734	5,668	4,935,402

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 4,121,401	\$ 37,458	\$ 4,158,859
Restricted for:			
Categorical funding (note 11)	111,634	-	111,634
Management levy purposes	88,676	-	88,676
Physical plant and equipment levy purposes	3,742	-	3,742
Student activities	98,963	-	98,963
Debt service	115,062	-	115,062
Capital projects	27,095	-	27,095
Unrestricted	1,331,923	25,156	1,357,079
Total net assets	\$ 5,898,496	\$ 62,614	\$ 5,961,110

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,673,336	\$ 322,862	\$ 527,298	\$ -
Support services:				
Student services	169,858	-	66,367	-
Instructional staff services	300,167	-	-	-
Administration services	593,148	-	-	-
Operation and maintenance of plant services	643,252	708	-	-
Transportation services	451,094	60,340	1,014	-
	<u>2,157,519</u>	<u>61,048</u>	<u>67,381</u>	<u>-</u>
Non-instructional programs	<u>23,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	84,828	-	-	-
Long-term debt interest and fiscal charges	34,258	-	-	-
AEA flowthrough	265,371	-	265,371	-
Unallocated depreciation*	115,934	-	-	-
	<u>500,391</u>	<u>-</u>	<u>265,371</u>	<u>-</u>
Total governmental activities	<u>7,355,071</u>	<u>383,910</u>	<u>860,050</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,823,176)	\$ -	\$ (3,823,176)
(103,491)	-	(103,491)
(300,167)	-	(300,167)
(593,148)	-	(593,148)
(642,544)	-	(642,544)
(389,740)	-	(389,740)
(2,029,090)	-	(2,029,090)
(23,825)	-	(23,825)
(84,828)	-	(84,828)
(34,258)	-	(34,258)
-	-	-
(115,934)	-	(115,934)
(235,020)	-	(235,020)
(6,111,111)	-	(6,111,111)

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 2,899	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	280,785	159,731	103,439	24,207
Total business-type activities	283,684	159,731	103,439	24,207
Total	\$ 7,638,755	\$ 543,641	\$ 963,489	\$ 24,207

General revenues:

Property tax levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 13)

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (2,899)	\$ (2,899)
-	6,592	6,592
-	3,693	3,693
(6,111,111)	3,693	(6,107,418)
\$ 2,674,806	\$ -	\$ 2,674,806
207,099	-	207,099
322,671	-	322,671
493,124	-	493,124
2,606,290	-	2,606,290
26,686	63	26,749
61,549	-	61,549
6,392,225	63	6,392,288
281,114	3,756	284,870
5,617,382	58,858	5,676,240
\$ <u>5,898,496</u>	\$ <u>62,614</u>	\$ <u>5,961,110</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,984,266	\$ 276,285	\$ 545,123	\$ 2,805,674
Receivables:				
Property tax:				
Current year	35,315	2,807	2,100	40,222
Succeeding year	2,283,686	216,998	249,999	2,750,683
Income surtax	292,233	41,748	-	333,981
Accounts	323	-	1,082	1,405
Due from other governments	47,532	208,070	-	255,602
Total assets	<u>\$ 4,643,355</u>	<u>\$ 745,908</u>	<u>\$ 798,304</u>	<u>\$ 6,187,567</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 74,852	\$ 57,311	\$ 5,214	\$ 137,377
Salaries and benefits payable	420,956	-	7,870	428,826
Due to other governments	8,165	-	-	8,165
Interfund payable (note 3)	627	-	-	627
Deferred revenue:				
Succeeding year property tax	2,283,686	216,998	249,999	2,750,683
Other	292,233	41,748	-	333,981
Total liabilities	3,080,519	316,057	263,083	3,659,659
Fund balances:				
Restricted for:				
Categorical funding (note 11)	111,634	-	-	111,634
Debt service	-	-	121,322	121,322
Debt service reserve (note 6)	-	58,000	-	58,000
Management levy purposes	-	-	314,936	314,936
Student activities	-	-	98,963	98,963
School infrastructure	-	194,095	-	194,095
Physical plant and equipment	-	177,756	-	177,756
Assigned:				
Community grants	7,453	-	-	7,453
Unassigned	1,443,749	-	-	1,443,749
Total fund balances	1,562,836	429,851	535,221	2,527,908
Total liabilities and fund balances	\$ 4,643,355	\$ 745,908	\$ 798,304	\$ 6,187,567

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 2,527,908
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,641,290
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	333,981
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,022)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,597,661)</u>
Net assets of governmental activities	<u>\$ 5,898,496</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,825,092	\$ 743,034	\$ 148,557	\$ 3,716,683
Tuition	78,438	-	-	78,438
Other	238,115	4,680	175,672	418,467
State sources	3,259,606	131	98	3,259,835
Federal sources	183,622	-	-	183,622
Total revenues	6,584,873	747,845	324,327	7,657,045
Expenditures:				
Current:				
Instruction	4,020,357	58,390	252,052	4,330,799
Support services:				
Student services	163,122	-	3,000	166,122
Instructional staff services	257,439	17,098	2,000	276,537
Administration services	559,580	2,677	9,000	571,257
Operation and maintenance of plant services	602,079	16,994	15,000	634,073
Transportation services	336,948	93,857	24,094	454,899
	1,919,168	130,626	53,094	2,102,888
Non-instructional programs	20,000	-	3,000	23,000
Other expenditures:				
Facilities acquisition	-	386,381	-	386,381
Long term debt:				
Principal	-	-	323,745	323,745
Interest and fiscal charges	-	-	35,456	35,456
AEA flowthrough	265,371	-	-	265,371
	265,371	386,381	359,201	1,010,953
Total expenditures	6,224,896	575,397	667,347	7,467,640
Excess (deficiency) of revenues over (under) expenditures	359,977	172,448	(343,020)	189,405

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Interfund transfers in (note 4)	\$ -	\$ -	\$ 357,476	\$ 357,476
Interfund transfers out (note 4)	-	(357,476)	-	(357,476)
Total other financing sources (uses)	-	(357,476)	357,476	-
Net change in fund balances	359,977	(185,028)	14,456	189,405
Fund balances beginning of year	1,202,859	614,879	520,765	2,338,503
Fund balances end of year	\$ 1,562,836	\$ 429,851	\$ 535,221	\$ 2,527,908

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 189,405

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 405,410	
Depreciation expense	<u>(430,187)</u>	(24,777)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (20,860)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 323,745

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,198

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(95,049)	
Compensated absences	(11,281)	
Net OPEB liability	<u>(81,267)</u>	<u>(187,597)</u>

Change in net assets of governmental activities \$ 281,114

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 22,560
Interfund receivable (note 3)	627
Inventories	7,637
Capital assets, net of accumulated depreciation (note 5)	<u>37,458</u>
Total assets	<u>68,282</u>
Liabilities	
Accounts payable	111
Salaries and benefits payable	624
Deferred revenue	<u>4,933</u>
Total liabilities	<u>5,668</u>
Net Assets	
Invested in capital assets	37,458
Unrestricted	<u>25,156</u>
Total net assets	<u>\$ 62,614</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>159,731</u>
Operating expenses:	
Support services:	
Purchased services	<u>2,899</u>
Non-instructional programs:	
Food service operations:	
Salaries	88,473
Benefits	37,151
Purchased services	724
Supplies	<u>148,258</u>
	<u>280,785</u>
Total expenses	<u>283,684</u>
Operating loss	(123,953)
Non-operating revenues:	
Interest on investments	63
Capital contributions	24,207
State sources	2,506
Federal sources	<u>100,933</u>
Total non-operating revenues	<u>127,709</u>
Change in net assets	3,756
Net assets beginning of year	<u>58,858</u>
Net assets end of year	\$ <u><u>62,614</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 158,190
Cash received from miscellaneous operating activities	1,715
Cash payments to employees for services	(125,000)
Cash payments to suppliers for goods or services	<u>(132,540)</u>
Net cash used by operating activities	<u>(97,635)</u>
Cash flows from non-capital financing activities:	
Contributions from other funds	20,000
State grants received	2,506
Federal grants received	<u>81,303</u>
Net cash provided by non-capital financing activities	<u>103,809</u>
Cash flows from investing activities:	
Interest on investments	<u>63</u>
Net increase in cash and cash equivalents	6,237
Cash and cash equivalents beginning of year	<u>16,323</u>
Cash and cash equivalents end of year	<u><u>\$ 22,560</u></u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (123,953)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	6,179
Commodities used	19,630
(Increase) in inventories	(111)
(Decrease) in accounts payable	(178)
Increase in salaries and benefits payable	624
Increase in deferred revenue	<u>174</u>
Net cash used by operating activities	\$ <u><u>(97,635)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$19,630 of federal commodities. The School Nutrition Fund also received a non-cash contribution of equipment valued at \$4,207 from the District's Capital Projects Fund, Physical Plant and Levy Account.

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>5,360</u>
Liabilities:	
Other payables	<u>5,360</u>
Net assets:	
None	\$ <u><u>-</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Gladbrook-Reinbeck Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Gladbrook and Reinbeck, Iowa, and agricultural territory in Grundy, Black Hawk, Marshall, and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gladbrook-Reinbeck Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Gladbrook-Reinbeck Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy County and Tama County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end, and unearned meal receipts.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned Federal grants and unearned meal receipts.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement. The maximum payout will be limited to \$25/day up to a 105 day maximum. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments (continued)

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>22</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Receivables/Payables

A summary of the interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
Enterprise, School Nutrition	General	\$ <u>627</u>

These amounts arise due to interfund revenue corrections which had not yet been repaid as of June 30, 2012.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>357,476</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,965	\$ -	\$ -	\$ 37,965
Construction in progress	105,000	239,232	175,102	169,130
Total capital assets not being depreciated	142,965	239,232	175,102	207,095
Capital assets being depreciated:				
Buildings	6,091,871	226,654	-	6,318,525
Improvements other than buildings	618,510	5,769	-	624,279
Furniture and equipment	2,102,518	108,857	52,561	2,158,814
Total capital assets being depreciated	8,812,899	341,280	52,561	9,101,618
Less accumulated depreciation for:				
Buildings	2,653,011	143,739	-	2,796,750
Improvements other than buildings	420,441	13,320	-	433,761
Furniture and equipment	1,216,345	273,128	52,561	1,436,912
Total accumulated depreciation	4,289,797	430,187	52,561	4,667,423
Total capital assets being depreciated, net	4,523,102	(88,907)	-	4,434,195
Governmental activities capital assets, net	\$ 4,666,067	\$ 150,325	\$ 175,102	\$ 4,641,290
Business-type activities:				
Furniture and equipment	\$ 124,945	\$ 4,207	\$ -	\$ 129,152
Less accumulated depreciation	85,515	6,179	-	91,694
Business-type activities capital assets, net	\$ 39,430	\$ (1,972)	\$ -	\$ 37,458

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 205,476
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Support services:

Administration	10,388
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Operation and maintenance of plant services	3,565
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Transportation	94,824
----------------	--------

	<u>314,253</u>
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Unallocated depreciation	<u>115,934</u>
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Total governmental activities depreciation expense	\$ <u><u>430,187</u></u>
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Business-type activities:

Food service operations	\$ <u><u>6,179</u></u>
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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 131,211	\$ 147,945	\$ 52,896	\$ 226,260	\$ 75,291
Revenue bonds	470,000	-	115,000	355,000	115,000
Economic development loan	255,000	-	30,000	225,000	30,000
Capital loan notes	315,000	-	100,000	215,000	105,000
Capital lease	243,634	-	78,745	164,889	81,186
Compensated absences	148,231	45,344	34,063	159,512	36,654
Net OPEB liability	170,733	81,267	-	252,000	-
Total	\$ 1,733,809	\$ 274,556	\$ 410,704	\$ 1,597,661	\$ 443,131

Early Retirement

The District offered a voluntary early retirement plan to its certified employees and administrators for the year ended June 30, 2012. Eligible employees must be at least age fifty-five and certified employees and administrators must have completed fifteen years and seven years, respectively, of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee will be a \$10,000 cash stipend plus paid health insurance for eight years, (capped at \$7,000 for the District's contribution for each year). The early retirement cash stipend will be paid in October following the start of retirement.

The District offered other early retirement plans in prior years. Details of those plans are available upon request at the administration office.

At June 30, 2012, the District has obligations to eleven participants with a total liability of \$226,260. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$52,896. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 115,000	\$ 10,569	\$ 125,569
2014	120,000	6,600	126,600
2015	120,000	2,250	122,250
	<u>\$ 355,000</u>	<u>\$ 19,419</u>	<u>\$ 374,419</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$580,000 bonds issued in August 2009. The bonds were issued for the purpose of financing a school bus purchase and athletic field and concession stand upgrades. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$374,419. For the current year, principal of \$115,000 and interest of \$14,163 was paid on the bonds and total statewide sales and services tax revenues were \$493,124.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$58,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principle and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

Rural Economic Development Loan Agreement

On November 24, 2009, the District issued a \$300,000 rural economic development loan agreement. The loan is an interest-free promissory note which calls for quarterly payments of \$7,500 through December, 2019.

Details of the District's June 30, 2012 rural economic development loan agreement indebtedness are as follows:

Year Ending June 30,	Principal
2013	\$ 30,000
2014	30,000
2015	30,000
2016	30,000
2017	30,000
2018	30,000
2019	30,000
2020	15,000
	<u>\$ 225,000</u>

The rural economic development loan agreement is payable primarily from the District's local option (statewide) sales and services tax revenues.

Capital Loan Note

Details of the District's June 30, 2012 capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Note Issued July 1, 2004			
	Interest Rates	Principal	Interest	Total
2013	4.2 %	\$ 105,000	\$ 9,140	\$ 114,140
2014	4.3	110,000	4,730	114,730
		<u>\$ 215,000</u>	<u>\$ 13,870</u>	<u>\$ 228,870</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

Capital Lease

On June 27, 2011, the District entered into a capital lease agreement for the purchase of computers totaling \$329,932. The lease calls for annual payments of \$86,298 through the year ended June 30, 2014.

Details of the District's June 30, 2012 capital lease indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.1004 %	\$ 81,186	\$ 5,112	\$ 86,298
2014	3.1004	83,703	2,595	86,298
		<u>\$ 164,889</u>	<u>\$ 7,707</u>	<u>\$ 172,596</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 71 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 214,324
Interest on net OPEB obligation	3,415
Adjustment to annual required contribution	<u>(7,474)</u>
Annual OPEB cost	210,265
Contributions made	<u>128,998</u>
Increase in net OPEB obligation	81,267
Net OPEB obligation beginning of year	<u>170,733</u>
Net OPEB obligation end of year	<u>\$ 252,000</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$128,998 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 210,265	61.4%	\$ 252,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,950,272, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,950,272. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,160,000, and the ratio of the UAAL to covered payroll was 61.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis.

Projected claim costs of the medical plan are \$515 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$250,399, \$213,693, and \$210,340, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Gladbrook-Reinbeck Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$265,371 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Professional development for model core curriculum	\$ 37,254
Talented and gifted programs	28,521
At risk programs	14,712
Home school assistance program	11,464
Market factor incentives	10,429
Professional development	9,144
Teacher salary supplement	110
	<hr/>
Total	\$ <u>111,634</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Construction Commitments

The District has entered into a contract totaling \$192,790 for a new high school boiler. As of June 30, 2012, costs of \$164,130 had been incurred against the contract. The balance of \$28,660 remaining at June 30, 2012 will be paid as work on the project progresses.

Note 13. Restatement of Net Assets

The levy for the District's income surtaxes applicable to and collected during the year ended June 30, 2011 were levied and certified during the year ended June 30, 2010. Under the modified accrual basis of accounting as described in note 1 to the financial statements, because those taxes were not collected within sixty days after year end for application to current obligations, those taxes were properly deferred in the fund financial statements. However, those taxes related directly to the fiscal year ended June 30, 2011 and should have been recognized as revenue in the District-wide financial statements which are prepared on the full accrual basis of accounting, as described in note 1 to the financial statements.

The District's capitalization policy calls for capitalization levels of \$5,000 for buildings, improvements and equipment, and \$25,000 for intangible assets. The District has not followed this policy in the past and has not maintained an accurate asset listing based on these capitalization levels.

The District has corrected these items for the year ended June 30, 2012 and the effects of these corrections on the related financial statement items are as follows:

	Net Assets, Governmental Activities	Capital Assets, Net of Related Depreciation
Balance as reported at June 30, 2011	\$ 5,402,150	\$ 4,805,676
Adjustments:		
Income surtax recognition	354,841	-
Capital asset adjustments/corrections	(139,609)	(139,609)
Balance as restated on July 1, 2011	<u>\$ 5,617,382</u>	<u>\$ 4,666,067</u>

Required Supplementary Information

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2012

	<u>Governmental Funds - Actual</u>	<u>Proprietary Fund - Actual</u>	<u>Total Actual</u>	<u>Budgeted Amounts Original and Final</u>	<u>Final to Actual Variance</u>
REVENUES:					
Local sources	\$ 4,213,588	\$ 184,001	\$ 4,397,589	\$ 4,247,110	\$ 150,479
State sources	3,259,835	2,506	3,262,341	3,321,434	(59,093)
Federal sources	183,622	100,933	284,555	209,000	75,555
Total revenues	<u>7,657,045</u>	<u>287,440</u>	<u>7,944,485</u>	<u>7,777,544</u>	<u>166,941</u>
EXPENDITURES/EXPENSES:					
Instruction	4,330,799	-	4,330,799	4,723,000	392,201
Support services	2,102,888	2,899	2,105,787	2,290,000	184,213
Non-instructional programs	23,000	280,785	303,785	343,000	39,215
Other expenditures	1,010,953	-	1,010,953	1,161,846	150,893
Total expenditures/expenses	<u>7,467,640</u>	<u>283,684</u>	<u>7,751,324</u>	<u>8,517,846</u>	<u>766,522</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	189,405	3,756	193,161	(740,302)	933,463
Balance beginning of year	<u>2,338,503</u>	<u>58,858</u>	<u>2,397,361</u>	<u>1,963,535</u>	<u>433,826</u>
Balance end of year	\$ <u><u>2,527,908</u></u>	\$ <u><u>62,614</u></u>	\$ <u><u>2,590,522</u></u>	\$ <u><u>1,223,233</u></u>	\$ <u><u>1,367,289</u></u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	January 1, 2010	\$ -	\$ 1,950	\$ 1,950	0.0%	\$ 2,602	74.9%
2011	January 1, 2010	-	1,950	1,950	0.0%	2,788	69.9%
2012	January 1, 2010	-	1,950	1,950	0.0%	3,160	61.7%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 321,195	\$ 102,606	\$ 121,322	\$ 545,123
Receivables:				
Property tax:				
Current year	2,100	-	-	2,100
Succeeding year	249,999	-	-	249,999
Accounts	-	1,082	-	1,082
Total assets	\$ 573,294	\$ 103,688	\$ 121,322	\$ 798,304
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 811	\$ 4,403	\$ -	\$ 5,214
Salaries and benefits payable	7,548	322	-	7,870
Deferred revenue:				
Succeeding year property tax	249,999	-	-	249,999
Total liabilities	258,358	4,725	-	263,083
Fund balances:				
Restricted for:				
Debt service	-	-	121,322	121,322
Management levy purposes	314,936	-	-	314,936
Student activities	-	98,963	-	98,963
Total fund balances	314,936	98,963	121,322	535,221
Total liabilities and fund balances	\$ 573,294	\$ 103,688	\$ 121,322	\$ 798,304

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 148,557	\$ -	\$ -	\$ 148,557
Other	17,438	157,894	340	175,672
State sources	98	-	-	98
Total revenues	166,093	157,894	340	324,327
Expenditures:				
Current:				
Instruction	91,619	160,433	-	252,052
Support services:				
Student services	3,000	-	-	3,000
Instructional staff services	2,000	-	-	2,000
Administration services	9,000	-	-	9,000
Operation and maintenance of plant services	15,000	-	-	15,000
Transportation services	24,094	-	-	24,094
Non instructional programs	3,000	-	-	3,000
Other expenditures:				
Long term debt:				
Principal	-	-	323,745	323,745
Interest and fiscal charges	-	-	35,456	35,456
Total expenditures	147,713	160,433	359,201	667,347
Excess (deficiency) of revenues over (under) expenditures	18,380	(2,539)	(358,861)	(343,020)
Other financing sources (uses):				
Interfund transfers in	-	-	357,476	357,476
Net change in fund balances	18,380	(2,539)	(1,385)	14,456
Fund balances beginning of year	296,556	101,502	122,707	520,765
Fund balances end of year	\$ 314,936	\$ 98,963	\$ 121,322	\$ 535,221

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 99,111	\$ 177,174	\$ 276,285
Receivables:			
Property tax:			
Current year	-	2,807	2,807
Succeeding year	-	216,998	216,998
Income surtax	-	41,748	41,748
Due from other governments	208,070	-	208,070
Total assets	\$ 307,181	\$ 438,727	\$ 745,908
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 55,086	\$ 2,225	\$ 57,311
Deferred revenue:			
Succeeding year property tax	-	216,998	216,998
Other	-	41,748	41,748
Total liabilities	55,086	260,971	316,057
Fund balances:			
Restricted for:			
Debt service reserve	58,000	-	58,000
School infrastructure	194,095	-	194,095
Physical plant and equipment	-	177,756	177,756
Total fund balances	252,095	177,756	429,851
Total liabilities and fund balances	\$ 307,181	\$ 438,727	\$ 745,908

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS

Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 493,124	\$ 249,910	\$ 743,034
Other	2,739	1,941	4,680
State sources	-	131	131
Total revenues	495,863	251,982	747,845
Expenditures:			
Current:			
Instruction	58,390	-	58,390
Support services:			
Instructional staff services	10,974	6,124	17,098
Administration services	2,677	-	2,677
Operation and maintenance of plant services	1,920	15,074	16,994
Transportation services	93,857	-	93,857
Other expenditures:			
Facilities acquisition	254,076	132,305	386,381
Total expenditures	421,894	153,503	575,397
Excess of revenues over expenditures	73,969	98,479	172,448
Other financing uses:			
Interfund transfers out	(243,736)	(113,740)	(357,476)
Net change in fund balances	(169,767)	(15,261)	(185,028)
Fund balances beginning of year	421,862	193,017	614,879
Fund balances end of year	\$ 252,095	\$ 177,756	\$ 429,851

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 2,522	\$ 4,849	\$ 2,886	\$ 4,485
Vocal Music	2,322	982	1,250	2,054
High School Music Fundraiser	5,029	5,299	3,052	7,276
Instrumental Music	978	1,037	414	1,601
Band Fundraisers	6,499	-	1,650	4,849
General Athletics	3,252	8,877	12,129	-
Cross Country	-	1,403	1,403	-
Golf	-	1,252	1,252	-
Boys Basketball	147	5,648	5,795	-
Boys Basketball Fundraiser	169	910	-	1,079
Football	15,887	12,987	11,396	17,478
Soccer	-	5,988	5,441	547
Baseball	466	6,221	6,687	-
Boys Track	-	6,235	6,235	-
Wrestling	-	3,857	3,857	-
Girls Basketball	-	7,044	7,044	-
Volleyball	1,862	5,404	7,080	186
Softball	-	6,045	6,045	-
Girls Track	95	2,253	2,348	-
Activity Tickets	1,456	1,475	1,456	1,475
Athletic resale	5,627	-	5,627	-
Cheerleaders	413	1,285	1,410	288
Class of 2010	134	-	-	134
Class of 2011	-	-	-	-
Class of 2012	7,800	2,350	9,526	624
Class of 2013	1,230	17,206	11,996	6,440
Class of 2014	525	730	-	1,255
FFA	3,906	26,360	23,041	7,225
Foreign Friends	398	-	-	398
Peer Helper	416	-	-	416
Interest from Investments	11,965	-	7,829	4,136
National Honor Society	52	286	330	8
Resale	15	-	-	15
Student Council - High School	4,522	3,539	4,238	3,823
SADD	660	34	224	470
Yearbook	3,874	6,030	1,755	8,149
Art Club	103	-	-	103
Baseball Fundraiser	2	-	-	2
Speech	-	977	977	-
Girls Basketball Fundraiser	1,755	-	-	1,755
Renovation Club	402	-	-	402

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Weight Room Fundraiser	\$ 2,882	\$ 11,141	\$ 10,575	\$ 3,448
Class of 2015	-	680	-	680
Elementary Student Council:				
Reinbeck	370	149	81	438
Gladbrook	397	37	-	434
Middle School:				
Activities	6,776	10,670	7,535	9,911
Pictures	3,209	1,713	153	4,769
Student Council	3,205	82	1,074	2,213
SADD	180	217	-	397
Intra Fund Transfers	-	(13,358)	(13,358)	-
Total	\$ <u>101,502</u>	\$ <u>157,894</u>	\$ <u>160,433</u>	\$ <u>98,963</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>129</u>	\$ <u>11,682</u>	\$ <u>6,451</u>	\$ <u>5,360</u>
Liabilities				
Other payables	\$ <u>129</u>	\$ <u>11,682</u>	\$ <u>6,451</u>	\$ <u>5,360</u>

See accompanying independent auditor's report.

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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 3,716,683	\$ 3,898,758	\$ 3,592,963	\$ 3,301,862
Tuition	78,438	58,932	76,427	52,019
Other	418,467	437,049	422,230	386,375
State sources	3,259,835	3,187,151	2,822,386	3,589,336
Federal sources	183,622	353,136	551,219	162,703
Total revenues	<u>\$ 7,657,045</u>	<u>\$ 7,935,026</u>	<u>\$ 7,465,225</u>	<u>\$ 7,492,295</u>
Expenditures:				
Instruction	\$ 4,330,799	\$ 4,670,677	\$ 4,375,258	\$ 4,566,942
Support services:				
Student services	166,122	149,392	176,175	135,769
Instructional staff services	276,537	290,834	145,290	211,362
Administration services	571,257	596,373	635,466	656,251
Operation and maintenance of plant services	634,073	629,697	620,299	652,443
Transportation services	454,899	368,668	663,933	423,045
Community services	-	-	-	823
Non-instructional programs	23,000	9,195	7,729	775
Other expenditures:				
Facilities acquisition	386,381	271,904	1,046,784	567,663
Long-term debt:				
Principal	323,745	321,298	110,000	90,000
Interest and fiscal charges	35,456	34,795	28,583	23,920
AEA flowthrough	265,371	298,467	298,097	263,372
Total expenditures	<u>\$ 7,467,640</u>	<u>\$ 7,641,300</u>	<u>\$ 8,107,614</u>	<u>\$ 7,592,365</u>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
\$ 3,220,809	\$ 2,705,618	\$ 2,544,087	\$ 2,443,168	\$ 2,370,297
61,136	56,419	75,557	78,384	41,013
399,272	976,275	811,821	730,214	383,198
3,563,399	3,539,946	3,365,496	3,352,753	3,168,920
162,732	172,674	196,114	185,852	165,724
<u>\$ 7,407,348</u>	<u>\$ 7,450,932</u>	<u>\$ 6,993,075</u>	<u>\$ 6,790,371</u>	<u>\$ 6,129,152</u>
\$ 4,291,518	\$ 4,314,718	\$ 4,062,396	\$ 4,085,573	\$ 3,958,770
113,194	137,450	129,810	141,722	141,964
217,425	194,469	266,090	248,330	178,931
720,135	705,781	661,661	637,462	596,304
631,931	541,213	602,178	637,242	574,196
365,011	333,388	523,899	402,708	375,124
895	806	850	869	2,812
625	565	1,705	35,291	30,183
489,713	158,435	293,935	1,012,368	109,726
85,000	85,000	85,000	80,000	-
26,640	28,905	31,145	29,976	-
256,911	251,550	235,401	235,863	238,663
<u>\$ 7,198,998</u>	<u>\$ 6,752,280</u>	<u>\$ 6,894,070</u>	<u>\$ 7,547,404</u>	<u>\$ 6,206,673</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Gladbrook-Reinbeck Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Gladbrook-Reinbeck Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Gladbrook-Reinbeck Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gladbrook-Reinbeck Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gladbrook-Reinbeck Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12, I-C-12 and I-D-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gladbrook-Reinbeck Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Gladbrook-Reinbeck Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Gladbrook-Reinbeck Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Gladbrook-Reinbeck Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gladbrook-Reinbeck Community School District and other parties to whom Gladbrook-Reinbeck Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Gladbrook-Reinbeck Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 10, 2012

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the General, Debt Service and Capital Project Funds the same individual can open mail, prepare the receipt, make bank deposits, do data entry and perform the bank reconciliation. Also, most payroll functions are performed by the same individual.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, a control for receipts would have a second individual open the mail and prepare an initial listing of the checks received and later compare to the actual deposits. A compensating control for payroll would have someone independent of the system review the monthly payroll warrant listing and monthly direct deposit listing.

Response – A large percentage of the total receipts in the General Debt Service and Capital Project Funds are now electronic remittances, thus we are less concerned about the remaining small receipts due to cost-effectiveness. We will try to incorporate the review of the monthly payroll warrant listing and direct deposit listing by an individual independent from payroll.

Conclusion – Response accepted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-B-12 Restatement of Beginning Balance – The District restated the July 1, 2011 beginning net assets balance for District-wide governmental activities due to the effects of changes in capital assets to bring the District in compliance with their capital asset policy and the recognition of the income surtax which was improperly deferred for governmental activities at June 30, 2011.

The effects of these changes on beginning net assets for governmental activities were a \$139,609 decrease due to capital assets changes, net of accumulated depreciation, and a \$354,841 increase due to recognition of income surtax revenues, for a net increase in beginning governmental activities net assets of \$212,232.

Recommendation – The District should maintain an accurate capital asset listing in the future which complies with existing policy. The District should develop controls over financial reporting to insure that all applicable revenue and expense items are properly included in District-wide governmental activities.

Response – We will take the necessary steps to insure the accuracy of all financial reporting in the future.

Conclusion – Response accepted.

- I-C-12 Fundraiser Controls – We noted in our testing of receipts that the District does not require any reconciliations for fundraisers held by Special Revenue Fund, Student Activity clubs.

Recommendation – The District should adopt a policy which requires that all clubs who have a fundraiser prepare a reconciliation of total receipts to deposits and to the related expenditures. The reconciliation should have documentation of the profit margin expected and an explanation for any shortfalls. This process helps to protect the underlying assets and serves as a control over possible irregularities in the fundraiser process. All fundraisers should be pre-approved by the Board of Education.

Response – We will look into adopting a policy regulating fundraiser activities and we have already looked into potential reconciliation forms to be used by the clubs.

Conclusion – Response accepted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

I-D-12 Capitalization Policy – We noted in our testing of capital assets that the District is not following their capitalization policy regarding dollar value of assets capitalized. Many assets with values less than those outlined in the capitalization policy are being capitalized and depreciated. In addition, the District's policy has no formal guidelines on asset lives.

Recommendation – The District should follow capitalization requirements formally outlined in their policy. Smaller items should be tracked for insurance and asset control purposes only. In addition, the District should formalize asset lives in their official capitalization policy.

Response – We have already brought our asset listing in compliance with our policy and we will investigate any necessary changes to our capital asset policy.

Conclusion – Response accepted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Trunck’s Country Foods, owned by Darren Trunck, teacher	Supplies	\$6,167
Cooley Pumping and Cooley Sanitation, owned by spouse of board member Deb Cooley	Services	\$8,016
Turfmaster, owned by Jeff Charley, teacher	Services	\$7,519
Mike Bearden, board president	Officiating	\$240
Donna Cooley, mother-in-law of board member Deb Cooley	Services	\$819

The transactions with the spouse of Board Member Deb Cooley do not appear to represent a conflict of interest in violation section 279.7A of the Code of Iowa limiting a director’s interest in a contract to \$2,500 per year since the contract was competitively bid and Board member Cooley abstained from the vote for approval of the contract. All other transactions appear to be arms-length transactions and in compliance with Sections 279.7A and 301.28 of the Code of Iowa.

- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

- II-H-12 Supplementary Weighting – We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. These variances related to supplementary weighting related to math courses which lacked full accreditation and resulted in an overstatement to supplementary weighting of .44.

Recommendation – The District should contact the Iowa Departments of Education and Management to determine the disposition of this error.

Response – We will contact the necessary departments and make the proper adjustments to our supplementary weighting.

Conclusion – Response accepted.

- II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	421,862	
Revenues:				
Sales tax revenues	\$	406,003		
Interest		2,739		
School infrastructure supplemental amount		<u>87,121</u>	495,863	
Expenditures/transfers out:				
School infrastructure construction		254,975		
Equipment		166,919		
Transfers to other funds:				
Debt Service Fund		<u>243,736</u>	<u>665,630</u>	
Ending balance		\$	<u><u>252,095</u></u>	

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-12 Statewide Sales and Services Tax (continued)

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.